



**U.S. Department of Justice**

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**FOR IMMEDIATE RELEASE  
Nov. 22, 2006**

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**PRESS RELEASE  
*GRAND JURY RETURNS  
47-COUNT INDICTMENT CHARGING  
LAYTON COUPLE WITH ALLEGED SCHEME  
TO DEFRAUD DAVIS SCHOOL DISTRICT  
OF MORE THAN \$4 MILLION***

SALT LAKE CITY -- A federal grand jury returned a 47-count indictment Tuesday evening, unsealed Wednesday morning, charging a Layton, Utah, couple with mail fraud, money laundering, theft from a state agency receiving federal funds, and copyright infringement in connection with an alleged scheme that defrauded the Davis School District of \$4,295,786.95.

Charged in the indictment are Susan G. Ross, age 62, and John Ross, age 64. The pair will be issued a summons to appear in federal court Monday at 9 a.m. Defendants charged in indictments are presumed innocent unless or until proven guilty in court.

The indictment was announced today by U.S. Attorney for Utah Brett L. Tolman; FBI Special Agent in Charge Timothy J. Fuhrman; Patricia Van Gilder, Special Agent in Charge, U.S. Department of Education Office of Inspector General; Farmington, Utah, Police Chief Wayne D. Hansen, and IRS Special Agent Ted Elder.

The case is being investigated by the FBI, U.S. Department of Education Office of Inspector General, the IRS, and the Farmington, Utah, Police Department.

According to the indictment, Susan G. Ross was employed by the Davis School District as director of federal programs. As a part of her work, she was involved in developing and administering primary and secondary education programs and, according to the indictment, exercised considerable discretion over the use of federal grant funds received by the school district. John D. Ross was a former employee of the Utah Office of Education. From March 2000 to February 2005, he was employed by the school district as a grant specialist. In this position, he was responsible for obtaining grants from the U.S. Department of Education.

Between 1998 and 2005, according to the indictment, the Davis School District received more than \$2 million each year in benefits under federal programs involving grants, subsidies, and other forms of federal assistance, including Title I funding. Title I is the largest U.S. Department of Education program supporting elementary and secondary education and was designed to help educate financially disadvantaged students who struggle academically. Through the Title I program, the Department of Education distributes money to local school districts for use in programs that serve the needs of eligible students.

The indictment alleges the defendants devised a scheme to get the school district to purchase unauthorized copies of copyrighted books for use in its Title 1 program at fraudulently inflated prices from Notable Education Writing Services (NEWS), a company owned and controlled by the defendants, through an intermediary company, Research and Development Consultants, Inc. (R&D). R&D was run by two professional associates of Susan and John Ross.

According to the indictment, the defendants routed purchases through R&D and had the school district mail checks to R&D to conceal the

defendants' identity as the recipients of the payments for the material purchased by the Davis School District. The defendants used NEWS to collect the proceeds of their scheme to defraud the school district. Money deposited into bank accounts maintained by NEWS was used for the personal benefit of the defendants, the indictment alleges.

According to the indictment, between Jan. 1, 2000, and May 6, 2005, the defendants caused the Davis School District to pay R&D approximately \$4,295,786.95 for the purchase of educational materials for the Title 1 program.

As a result of the scheme, the indictment alleges, the school district paid higher prices for the books and educational materials purchased from R&D than it would have if Susan and John Ross had solicited competitive bids from other vendors. As charged in the indictment, the prices charged by R&D were as much as seven times the list prices for the same books as sold by the publishers. For example, in one case, R&D charged the school district \$93 for a book that at that time had a list price of \$13.22. Additionally, the list prices were for hardbound professionally-produced books. The copies R&D sold to the district were spiral bound stacks of color copies.

The indictment also alleges that the defendants split the proceeds of the scheme with R&D. R&D kept approximately 8 percent of the funds it received from the school district and paid the remainder of the funds to the defendants in the guise of NEWS. The only substantive service performed by R&D for its share of proceeds of the fraud scheme, the indictment alleges, was to receive purchase orders from the school district, forward the order to NEWS, and submit fraudulently inflated invoices back to the school district.

In furtherance of the scheme, the indictment alleges, the defendants contracted with third-party printing companies to make copies of the books and educational materials ordered by the Davis School District. The defendants falsely represented to the printing companies and R&D that they had obtained permission from the copyright holders to make copies of the books they had caused the school district to order.

The indictment alleges the defendants then used proceeds to pay personal expenses.

As a part of the indictment, federal prosecutors filed a notice of intent to seek criminal forfeiture in the case, including a sum of money equal to at least \$4,295,786.95. Prosecutors also are seeking property and money funded by or purchased with proceeds obtained as a result of the offenses charged in the indictment, including money held at banks, cars, and other accounts.

Susan G. Ross and John D. Ross are charged with 13 counts of mail fraud which each carry potential maximum penalties in federal prison of 20 years; 14 counts of money laundering which each carry a potential maximum penalty of up to 20 years; 13 counts of theft from a state agency receiving federal funds, which each carry a potential maximum penalty of up to 10 years in prison; and seven counts of willful infringement of copyright, which each carry potential five-year maximum penalties.

In a related case, a federal grand jury also returned a 37-count indictment charging Stella Smith, age 54, of Layton, with mail fraud. Smith worked as a secretary to Susan Ross at the Davis School District. As a part of her duties, Smith was given responsibility for some of the day to day management of the district's Title I procurement process. The indictment alleges that beginning in about 1999, Smith devised a scheme to defraud the Davis School District of Title I and other funds. As a part of the scheme, she formed a company known as E.B. Smith Company, a name similar to the name of her husband.

The indictment alleges that Smith submitted paperwork to the school district to approve E.B. Smith Company as a vendor for books and materials for the district. Once the company was approved, according to the indictment, Smith caused purchase orders for books that had not been requested by district employees and that were not necessary for school programs to be submitted to E.B. Smith Company from the Davis School District Purchasing Department for approval. Under the district's approval process, Smith could personally submit requests to the purchasing department under a \$1,000 threshold without management approval.

Once the purchase orders were issued, Smith mailed or caused to be mailed fraudulent invoices representing that the E.B. Smith Company had supplied the requested books to the district, when in truth no such books had

been provided. As a result of the fraudulent invoices, the school district issued checks for fictitious purchases and mailed them to the company.

The indictment alleges Smith submitted invoices totaling about \$338,189 to the district on scores of occasions from 1999 to 2005.

A summons will be issued to Smith, who faces up to 20 years per count if convicted of the charges. Again, defendants charged in indictments are presumed innocent unless or until proven guilty in court.

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